

AR12

**MINDUSTRIAL**  
CORPORATION LIMITED

*annual report 1968*



**Principal Affiliations**

**AERSOL PACKAGING LIMITED, Thornhill, Ont.**

Custom packager of aerosol products (85% of common stock owned through M.C.L. Holdings Limited)

**Senior operating executives**

D. B. ROSS — *Vice-President and General Manager*  
G. NOGUCHI — *Vice-President*

**BLACKTOP CONSTRUCTION LIMITED, Bridgeport, Ont.**

Construction of roads and sewers, and supply of asphalt and gravel in the Kitchener area (70% owned by Municipal Spraying & Oiling Co. Ltd.)

**Senior operating executives**

R. G. STEED — *Chairman of the Board*  
N. F. WIDMEYER — *President*

**BUTLER METAL PRODUCTS CO. LTD., Preston, Ont.**

Manufacturer of metal stampings (95% owned through M.C.L. Holdings Limited)

**Senior operating executives**

G. H. LAYZELL, C.A. — *President and Treasurer*  
B. M. RAMSAY — *Vice-President, Sales*  
WM. C. BLACK — *Vice-President, Manufacturing*

**E. H. EDGE & ASSOCIATES LIMITED, Toronto, Ont.**

**STACEY PERSONNEL LIMITED, Toronto, Ont.**

Personnel placement (50% owned by Mindustrial Corporation Limited)

**Senior operating executive**

E. H. Edge — *President*

**MANAGEERING LIMITED, Toronto, Ont.**

Supply technical personnel on contract basis (50% owned by Mindustrial Corporation Limited)

**Senior operating executive**

K. MORLEY — *President*

**MUNICIPAL SPRAYING & OILING COMPANY LIMITED**

Rexdale (Toronto) Ont.

Repairing and maintaining road surfaces (49.9% owned through Maxwell (1964) Ltd.)

**Senior operating executives**

P. K. ROPER — *Chairman*  
G. M. BISHOP — *President*

**SOVEREIGN WATER CONDITIONERS, Richmond Hill, Ont.**

Manufacturer of water treatment equipment and humidifiers. A division of Maxwell (1964) Ltd.  
(97.3% owned by Mindustrial Corporation Limited)

**Senior operating executive**

I. M. MACDONALD — *General Manager*

**TRENCH ELECTRIC LIMITED, Don Mills, Ont.**

Manufacturer of specialty equipment for electrical transmission.  
(75% owned by Mindustrial Corporation Limited)

**Senior operating executives**

R. W. EDEN — *Vice-President and General Manager*  
A. B. TRENCH — *Vice-President*



# *directors' report to the shareholders*

## HIGHLIGHTS

	1968	1967
Sales - - - - -	\$9,241,000	\$8,441,000
Net income - - - - -	468,000	310,000
Net income per share - - - - -	69¢	47¢
Dividends per share - - - - -	50¢	30¢
Plant and equipment acquired - -	294,000	80,000
Working capital at year end - - -	2,147,000	2,518,000
Shareholders' equity at year end - -	3,203,000	2,981,000
Shareholders' equity per share - -	4.71	4.52

Your Directors present the consolidated financial statements of your company for the year ended December 31, 1968, which they consider show that satisfactory progress has been achieved in this period.

### SUMMARY

Each company in which Mindustrial had an investment earned a profit during 1968. Sales of the companies consolidated in the financial statements rose to \$9,241,000 — an increase of 9½ % over the volume achieved in 1967. Consolidated income before taxes and minority interests amounted to \$901,000, an increase of 15% over the prior period. In this regard taxes in 1968 amounted to \$416,000 compared to \$452,000 with respect to 1967 earnings because the profit increases achieved during the year occurred in companies in the group which had tax credits available.

As a result of these factors the consolidated net income for the year was \$468,000 (69¢ per common share) compared with \$310,000 (47¢ per share) earned in 1967. In view of this improvement, an extra dividend of 10¢ was paid on December 31 raising the 1968 disbursement to 50¢ per share (1967 — 30¢). After payment of these dividends, amounting to \$340,000, consolidated retained earnings increased by \$128,000 during 1968 and at year-end amounted to \$2,548,000.

During 1968 new investments were made in affiliated companies to the extent of approximately \$285,000 as described below. Investment in new fixed assets during the year amounted to \$294,000 — all of which is reflected in the consolidated working capital on a comparative basis.

As mentioned in our last Annual Report, the company redeemed its outstanding convertible debentures on January 31, 1968. Certain of these debentures were converted prior to redemption resulting in the issue of 20,926 common shares, bringing the total issued capital of the company to 680,597 common shares.

In May of 1968 the shares of the company were listed on The Toronto Stock Exchange. The availability of this market for trading the shares of the company as evidenced by results to date would appear to confirm the benefit to the shareholders of this decision.

## OPERATIONS

### AEROSOL PACKAGING LIMITED

In 1968 sales of this company increased appreciably and produced a profit, after all charges, for the first time in several years. Early in January 1969 Bristol-Myers Company (a company listed on the New York Stock Exchange) made an offer — subject to certain conditions — to purchase a 100% interest in Aerosol Packaging Limited through an exchange of shares. Although the shares to be received from Bristol-Myers would have had to be retained by your company for a considerable period under the securities laws of the United States, the offer was accepted in view of the substantial gain at current values over Mindustrial's total investment in Aerosol.

By reason of an unexpected and unfavourable ruling by the Excise Tax Division of the Department of National Revenue received by Bristol-Myers relating to this transaction, the purchase and sale was not completed. At the same time Bristol-Myers Canada Limited agreed to enter into a supply contract with Aerosol Packaging Limited for the packaging of products marketed by Bristol-Myers in aerosol containers.

Your Directors feel that this transaction — although rendered abortive for the reason mentioned — confirms their assessment of the value and potential worth of Aerosol Packaging Limited in the dynamic industry in which it is engaged and they expect a substantial increase in profits to be achieved by this company in 1969 and future years.

### BUTLER METAL PRODUCTS CO. LTD.

In 1968 the sales of this important subsidiary increased in modest proportion despite a strike in the automotive industry in the early months. As a result of increased costs of operation and reduced gross margins, earnings were approximately 13% lower than those realized in 1967. Certain of the expenses were non-recurring in nature and the prospect is good for a continuing increase in sales and improved earnings in 1969.

Butler sells most of its production to the automotive industry. That industry is currently undergoing a change in established buying patterns as a direct result of the Canada-U.S. Automotive Trade Agreement. In anticipation of this change, Butler has, for the past two years, maintained a sales effort aimed directly at the U.S. plants of the major automobile producers and these efforts are continuing at an intensified pace. In addition, in order to provide a more diversified base of operations, the company is investigating acquisitions in other industries, and is conducting preliminary research work in plastic products.

### MAXWELL (1964) LIMITED

#### *Sovereign Water Conditioners Division*

The sales and earnings of this division showed a gratifying increase during 1968. The company found increasing acceptance of its domestic and commercial water conditioning equipment, and for its furnace-mounted power humidifiers in Canada. It acquired the business of a distributor in Western Canada and in addition, representation for the Sovereign Water Conditioner line was secured in the U.K. It is anticipated that sales to that market will be a contributing factor to profits in the future.

In 1969 this division should see good increases in both sales and earnings together with some broadening of its product base and will contribute in modest proportion to the increased profits of Mindustrial.

#### *Municipal Spraying & Oiling Company Limited*

As indicated to you in our mid-year report, Municipal Spraying & Oiling acquired a controlling interest in two associated construction companies in the Kitchener area. These companies have subsequently been amalgamated into one company known as Blacktop Construction Limited. Mindustrial advanced some of the funds to Municipal Spraying & Oiling to facilitate this acquisition. Blacktop is actively engaged in road building and sewer installation in the Kitchener-Waterloo area where a rapid rate of growth is taking place and also operates three asphalt producing plants. In



addition the company owns valuable acreage adjoining the City of Kitchener. It also owns a large sand and gravel quarry with very extensive reserves. Blacktop operated at a profit in 1968 and your Directors are confident that it will prove to be a valuable investment.

The volume of sales and profit of Municipal Spraying & Oiling as a corporation (apart from its investment in Blacktop) were comparable with the results achieved in 1967. It is expected that an increase will be seen in the profitability of this operation in 1969.

## TRENCH ELECTRIC LIMITED

In 1968 this company again achieved a significant increase in sales and earnings despite a write-off of some unusual development expenses. These earnings were not subject to tax because of tax credits available from earlier years. During 1968, Trench continued to pursue a program of research and development aimed at broadening its product range. While none of these developments has, as yet, reached the stage of marketability, it is hoped that by the end of 1969 one or more of these products will begin to be marketed. This research has, in part, been undertaken with the co-operation of the National Research Council and it is expected that other projects, which qualify for this type of Government assistance, will assist Trench in the continuance of an aggressive research program. It is expected at this time that this company will again see good growth in sales and profit in 1969.

## E. H. EDGE & ASSOCIATES LIMITED STACEY PERSONNEL LIMITED MANAGEERING LIMITED

Late in 1968 Mindustrial, for a relatively modest investment, acquired a 50% interest in each of these companies — all of which are involved in the personnel placement field. Edge and Stacey specialize in the placement of male and female employees at all levels, while Manageering is primarily concerned with the provision of technical personnel on a contract basis to major corpora-

tions in the U.S. and Canada. This is the first occasion on which Mindustrial has acquired an interest in a service business and it is felt that the prospect for growth in this area is encouraging.

## OFFICERS AND DIRECTORS

In our interim report to you issued in August, we advised the shareholders of the sudden and untimely death on July 1st of W. P. Walker, O.B.E., who had been the President, General Manager and a Director of the company since 1958. In July of 1968, Mr. J. G. Edison, Q.C., Vice-President and Secretary of the company, was elected President, and Mr. R. W. Eden, Executive Vice-President of the company, was appointed General Manager. Mr. J. W. Walker, O.B.E., Q.C., was elected a Director in August. Mr. Walker is a senior partner of Messrs. McCarthy & McCarthy, Barristers and Solicitors of Toronto, and is a director of a number of Canadian companies.

## OUTLOOK

As indicated earlier in this report, the operations of the various subsidiary and affiliated companies should all show further growth in volume and earnings during 1969. Mindustrial, as a company, has considerable liquid resources. Extensive investigations are presently being undertaken with respect to the acquisition of additional companies in the near future which could contribute to the growth and profit of its diversified interests.

The Directors of Mindustrial recognize that the progress that has been achieved to date by all the companies in which it has an investment is a direct result of the efforts of all of the employees of those companies, and the Directors wish to express their sincere appreciation to those employees.

On behalf of the Board of Directors,

J. G. EDISON,  
*President.*

Toronto, Ontario,  
February 7, 1969.

# CONSOLIDATED BALANCE SHEET

## ASSETS

CURRENT:	1968	1967
Cash - - - - -	\$ 85,978	\$ 286,278
Bank deposit receipts - - - - -	1,550,000	1,385,000
Note receivable on sale of investment in other companies - - - - -	—	1,047,876
Accounts receivable - - - - -	1,157,515	1,120,433
Inventories, valued at lower of cost and net realizable value - - - - -	1,244,945	1,317,347
Prepaid expenses - - - - -	38,105	74,631
Total current assets - - - - -	4,076,543	5,231,565
INVESTMENTS, at cost:		
Non-consolidated subsidiaries (note 1) —		
Shares - - - - -	37,326	37,326
Advances - - - - -	433,574	382,371
	470,900	419,697
Less provision for losses - - - - -	104,635	161,513
	366,265	258,184
Other companies		
Shares with no quoted market value - - - - -	187,899	155,380
Advances - - - - -	251,571	—
	439,470	155,380
FIXED, at cost:		
Land - - - - -	28,942	28,942
Buildings - - - - -	360,018	330,712
Machinery and equipment - - - - -	1,180,036	927,782
	1,568,996	1,287,436
Less accumulated depreciation - - - - -	459,742	334,363
Total fixed assets - - - - -	1,109,254	953,073
OTHER:		
Deferred expenses - - - - -	40,261	63,305
Patents, at cost less amounts written off - - - - -	39,500	41,628
Premium paid on acquisition of subsidiaries - - - - -	116,774	116,774
	196,535	221,707
	<u>\$6,188,067</u>	<u>\$6,819,909</u>

(See accompanying notes to the consolidated financial statements)

## AUDITORS' REPORT

To the Shareholders of  
Mindustrial Corporation Limited:

We have examined the consolidated balance sheet of Mindustrial Corporation Limited as at December 31, 1968 and the consolidated statements of income and cash flows for the year then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles in the preceding year.

Toronto, Canada,  
February 6, 1969.



**ET – DECEMBER 31, 1968**

**LIABILITIES**

**CURRENT:**

	<u>1968</u>	<u>1967</u>
Bank indebtedness (secured) - - - - -	\$ 860,548	\$ 922,266
Accounts payable and accrued charges - - - - -	885,901	1,101,397
Income taxes payable - - - - -	117,881	160,740
Current portion of long-term debt - - - - -	65,000	529,100
	<hr/>	<hr/>
Total current liabilities - - - - -	1,929,330	2,713,503

LONG-TERM DEBT (note 2) - - - - -	805,000	870,000
DEFERRED INCOME TAX - - - - -	151,400	162,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES - -	99,469	93,039
	<hr/>	<hr/>
	2,985,199	3,838,542
	<hr/>	<hr/>

**SHAREHOLDERS' EQUITY:**

Capital stock (note 2)

Preference redeemable 6% convertible sinking fund, par value  
\$50 each:

Authorized but unissued — 32,500 shares

Common:

Authorized — 3,000,000 shares without par value

Issued — 680,597 shares (659,671 in 1967) - - 655,342 561,175

Retained earnings - - - - - 2,547,526 2,420,192

---

3,202,868 2,981,367

**CONTINGENT LIABILITIES (note 4)**

**On behalf of the Board:**

J. G. EDISON, Director

R. W. EDEN, Director

---

\$6,188,067 \$6,819,909

---

consolidated financial statements)

**REPORT**

Industrial Corporation Limited and subsidiary companies as at  
retained earnings and source and application of funds for the  
accounting procedures and such tests of accounting records  
circumstances.

consolidated financial position of the company and subsidiary  
positions and the source and application of their funds for the  
ing principles applied on a basis consistent with that of the

CLARKSON, GORDON & CO.,  
Chartered Accountants

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1968

	<u>1968</u>	<u>1967</u>
SALES - - - - -	\$9,240,917	\$8,441,149
Operating profits (provision for losses) of unconsolidated subsidiaries -	56,878	(53,770)
Other income, including investment income of \$189,310 (1967 — \$135,090) - - - - -	221,702	175,753
	<u>9,519,497</u>	<u>8,563,132</u>
Costs and expenses exclusive of undernoted items - - - - -	8,301,440	7,459,588
Interest on long-term debt - - - - -	73,036	100,003
Depreciation - - - - -	144,419	125,563
Remuneration of directors and senior officers - - - - -	99,600	94,562
	<u>8,618,495</u>	<u>7,779,716</u>
INCOME BEFORE THE UNDERNOTED ITEMS - - - - -	901,002	783,416
Income taxes applicable thereto - - - - -	489,050	474,550
Income before extraordinary item and minority interest - - - - -	411,952	308,866
Extraordinary item being income taxes recovered by consolidated subsidiaries as a result of carry forward of prior years' losses (note 3) -	73,500	23,000
	<u>485,452</u>	<u>331,866</u>
Minority interest - - - - -	17,819	22,313
CONSOLIDATED NET INCOME FOR THE YEAR - - - - -	<u>467,633</u>	<u>309,553</u>
CONSOLIDATED RETAINED EARNINGS, BEGINNING OF YEAR - - -	2,420,192	561,172
	<u>2,887,825</u>	<u>870,725</u>
Add:		
Gain on sale of investments - - - - -	—	1,595,553
Adjustment of provision for losses of unconsolidated subsidiary, being gain realized by that subsidiary on sale of fixed assets	—	150,064
	<u>2,887,825</u>	<u>2,616,342</u>
Deduct dividends paid (1968 — 50¢ per share; 1967 — 30¢ per share)	340,299	196,150
Consolidated retained earnings, end of year - - - - -	<u><u>\$2,547,526</u></u>	<u><u>\$2,420,192</u></u>

(See accompanying notes to the consolidated financial statements)



# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

	<u>1968</u>	<u>1967</u>
Funds were provided from:		
Operations —		
Consolidated income for the year - - - - -	\$ 467,633	\$ 309,553
Add depreciation, a charge against operations not requiring an outlay of funds in the year - - - - -	144,419	125,563
	<u>612,052</u>	<u>435,116</u>
Deduct credits to operations not resulting in an inflow of funds in the year:		
Operation profits (losses) of unconsolidated subsidiaries - - - - -	56,878	(53,770)
Transfer from (to) deferred income tax - - - - -	10,600	(55,000)
	<u>67,478</u>	<u>(108,770)</u>
Funds provided from operations - - - - -	544,574	543,886
Sale of investments - - - - -	—	2,035,354
Issuance of common shares - - - - -	94,167	45,877
Increase in minority interest - - - - -	6,430	9,845
Other - - - - -	18,959	(17,987)
Total funds provided - - - - -	<u>664,130</u>	<u>2,616,975</u>
Funds were applied to:		
Net increase in advances —		
To unconsolidated subsidiaries - - - - -	51,203	88,889
To other companies - - - - -	251,571	—
Investment in shares of other companies - - - - -	32,519	—
Purchase of fixed assets - - - - -	294,387	79,937
Reduction in non current portion of long-term debt - - - - -	65,000	557,500
Payment of dividends - - - - -	340,299	196,150
	<u>1,034,979</u>	<u>922,476</u>
(Decrease) increase in consolidated working capital during the year - - -	(370,849)	1,694,499
Consolidated working capital, beginning of year - - - - -	2,518,062	823,563
Consolidated working capital, end of year - - - - -	<u>\$2,147,213</u>	<u>\$2,518,062</u>

(See accompanying notes to the consolidated financial statements)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

### 1. Basis of consolidation

The consolidated financial statements include the accounts of all subsidiaries except two which, while profitably operated in 1968, had accumulated losses in excess of the company's equity in their capital. The company's share of such losses has been fully provided for in these financial statements, thereby reducing the carrying value of the investment in non-consolidated subsidiaries to approximately the underlying net asset values.

### 2. Long-term debt and capital stock

In 1968, 20,926 common shares were issued by the company on the conversion of debentures at a price of \$4.50 per share. The balance of the debentures (\$369,900) was redeemed at a premium of 1%.

Long-term debt consists of the following:

	<u>1968</u>	<u>1967</u>
Mindustrial Corporation Limited —		
5½ % convertible redeemable sinking fund debentures - - - —		\$ 464,100
Subsidiary —		
7¼ % debenture due November 30, 1981 - - - - - \$ 870,000	870,000	935,000
	<u>870,000</u>	<u>1,399,100</u>
Less amounts included with current liabilities:		
Mindustrial Corporation Limited debentures - - - - - —		464,100
Subsidiary company's debenture due within one year - - - - 65,000	65,000	65,000
	<u>65,000</u>	<u>529,100</u>
Balance, December 31 - - - - - \$ 805,000	<u>\$ 805,000</u>	<u>\$ 870,000</u>

The subsidiary company's debenture is secured by a first mortgage on all its real property and a first floating charge on all other assets and is repayable in annual instalments of \$65,000. Under the terms attaching to the debenture, dividends payable by the subsidiary are restricted to \$100,000 plus 65% of earnings accumulated subsequent to 1965. At December 31, 1968 approximately \$145,000 of the subsidiary's then retained earnings (\$1,125,000) is unrestricted as to payment of dividends under the terms of the debenture.

### 3. Income tax

Aggregate losses of the company and consolidated subsidiaries available to apply for income tax purposes against such income as may arise in future years total approximately \$500,000 at December 31, 1968.

### 4. Contingent liabilities

Guarantees have been given by the company in respect of bank loans and other obligations of a non-consolidated subsidiary and of other companies which at December 31, 1968 totalled approximately \$630,000. In addition the company has guaranteed property and equipment leases of the aforementioned subsidiary requiring annual rental payments of \$120,000 to 1970 decreasing in stages to \$76,000 in 1974 and in each of the subsequent eleven years. Further guarantees have been given in respect of construction performance bonds of another company.







# **MINDUSTRIAL** CORPORATION LIMITED

## **Executive office**

15 PRINCE ANDREW PLACE  
Don Mills (Toronto), Ontario

## **Board of Directors**

R. W. EDEN  
*Executive Vice-President and General Manager, Toronto*

J. G. EDISON, Q.C.  
*Partner, Edison, Aird & Berlis, Toronto*

H. G. HARRIS  
*Chairman, Ash Temple Limited, Toronto*

R. C. C. HENSON  
*Director, Standard Securities Ltd., Toronto*

ARGUE MARTIN, Q.C.  
*Partner, Martin and Martin, Hamilton*

L. R. MASON  
*Director, Butler Metal Products Co. Ltd., Preston*

O. J. McKEOUGH  
*Executive, Toronto*

D. E. McQUIGGE  
*Vice-President, Toronto*

J. W. WALKER, O.B.E., Q.C.  
*Partner, McCarthy & McCarthy, Toronto*

## **Officers**

J. G. EDISON, Q.C.  
*President and Secretary*

R. W. EDEN  
*Executive Vice-President and General Manager*

D. E. McQUIGGE  
*Vice-President*

MRS. MAY F. ROCH  
*Assistant Secretary-Treasurer*

G. R. W. SKERRETT, C.A.  
*Treasurer and Assistant Secretary*

## **Transfer Agent and Registrar**

GUARANTY TRUST COMPANY  
Toronto

## **Solicitors**

EDISON, AIRD AND BERLIS  
Toronto

## **Auditors**

CLARKSON, GORDON & CO.  
Toronto

## **Bankers**

CANADIAN IMPERIAL BANK OF COMMERCE